Company Registration No. 318267

CONSTELLATION CORPORATION plc

Report and Financial Statements

31 December 2004

CONSTELLATION CORPORATION plc

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CONSTELLATION CORPORATION plc

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Bartle, CBE
A C Garner
R S Hingley
B R Lakefield
R G Robinson

SECRETARY

R G Robinson

REGISTERED OFFICE

6 Derby Street
London
W1Y 7HD

BANKERS

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AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Birmingham

NOMINATED ADVISERS

City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

REGISTRARS

Capita IRG Plc
The Registry
34 Beckenham Road
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Kent
BR3 4TU

BROKERS

City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
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EC4R 0BL

SOLICITORS

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44 Southampton Buildings
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EC4R 0BL

CONSTELLATION CORPORATION plc

CHAIRMAN'S STATEMENT

Introduction

At first sight, the 2004 results of Constellation Corporation Plc are disappointing primarily because turnover remained flat compared with the previous year and a small loss replaced breakeven.

You will see that costs have remained tightly under control so our commitment as articulated a year ago to concentrate on revenue, reduce costs and debt has continued. We have spent more time than perhaps we would have hoped investigating various areas of improving our balance sheet. Invariably, however, the risk of unacceptable dilution has returned us to the hard and long term task of trading through the current solution.

The team in Garner International is now stronger than it has ever been and my non-executive director colleagues have continued to be outstanding in their support of our company. With this in mind, I look forward to announcing our Interims shortly in the certain knowledge that everything has been and continues to be done to secure a strong future for our company.

Results

Turnover in the year was £1,280,000 (2003: £1,253,000), operating loss was £11,000 (2003: profit of £114,000) and pre tax loss £152,000 (2003: profit of £2,000). No dividend can be paid.

Balance sheet net liabilities of the group were £1,335,000, with net debt standing at £1,721,000. Our balance sheet is a major problem for us and we are exploring ways in which liabilities might be mitigated. Our inability to service these liabilities is a major disincentive to the team but we remain committed to overcoming these problems as far as possible.

Current trading and outlook

Good progress has been made on a number of fronts in the current year and this reflects our determination to resolve the difficulties of the past and drive the business forward. The team has worked hard to increase business flows and we are pleased to announce we are at an advanced stage in the negotiation of a major new retainer relationship. As well as pushing ahead to expand our operational team and win new consultancy contracts we are also looking to restructure the Group's balance sheet to reduce our overall debt burden. We will report on specific progress made in these areas as and when they arise. The Board is hopeful of a satisfactory outturn for the first half to 30 June 2005 and that continued progress will be made in the second half of the financial year.

Summary

As you may know, Andrew Garner's wife had been extremely ill since 1998. Sadly, she died just before Easter 2004. It is not possible to quantify, and he would not want us to, the understandable diversion this has represented. Our thanks and appreciation are extended to Andrew, and indeed his team, for their commitment and dedication.

J BARTLE

Chairman

28 June 2005

CONSTELLATION CORPORATION plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES

The principal activity of the Group during the period was executive search and selection.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Chairman's Statement on page 2 reviews the activities of the Group including a statement of recent and future developments.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated profit and loss account on page 11.

The directors do not recommend payment of any dividends (2003: £Nil). Further information on dividends is given in note 7 to the accounts.

Retained losses carried forward are increased by £225,000 (2003: £48,000).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are shown on page 1. Their interests in the shares of the company as defined by the Companies Act 1985, are shown in the Report of the Remuneration Committee on pages 7 and 8.

R G Robinson retires by rotation, and being eligible, offers himself for re-election.

SUBSTANTIAL SHARE INTERESTS

As at 31 December 2004, the Company had been notified of the following interests in its issued share capital and warrants:

	Ordinary shares of 0.1p each
A C Garner	301,350,439
Vidacos Nominees Limited	98,000,000
TD Waterhouse Nominees Limited	86,501,210
Pershing Keen Nominees Limited	61,494,166
Barclayshare Nominees Limited	51,496,513

As far as the directors are aware, no other entities or individuals held 3% or more of the shares in issue.

DIRECTORS' REPORT

SHARE CAPITAL MOVEMENTS

Movements in share capital are included in note 18 to the Balance Sheet.

EMPLOYEE INVOLVEMENT

The company has well established communications and consultation procedures with all employee groups. These continually evolve to meet the changing needs of the business and are considered valuable by both management and staff.

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to give a full and fair consideration to the employment and promotion of disabled persons where they appear suitable, having regard to their particular aptitudes and abilities. Where existing employees become disabled it is the Company's policy to find them alternative suitable employment within the Group where possible.

CREDITOR PAYMENT POLICY

The Company and Group do not have a standard or code which deals specifically with the payment of suppliers. The Group does, however, endeavour to comply with the terms and conditions agreed with suppliers when orders are placed. Trade creditor days of the Company at 31 December 2004, calculated in accordance with the requirements of the Companies Act 1985, were 238 days (2003: 300 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

R G ROBINSON

Secretary

28 June 2005

CORPORATE GOVERNANCE

As a company listed on the Alternative Investment Market of the London Stock Exchange, Constellation Corporation plc is not required to comply with the Combined Code ("the Code") adopted by the UK Listing Authority in 1998. However, the Board of Directors has considered the effects of the Code and taken steps to comply with the Code insofar as it can be applied practically, given the size of the Group and the nature of its operations. At this stage, no action has been taken in respect of the revised code issued in 2003 and applicable for companies with a full listing.

The Audit Committee comprises all of the non-executive directors and meets as required.

The directors also acknowledge their responsibility for the Group's system of internal control of which the objectives are:

a) Safeguarding Group assets.

b) Ensuring proper accounting records are maintained.

c) Ensuring that the financial information used within the business and for publication is reliable.

The key procedures that have operated during the financial year are set out below:

a) The Board meets regularly to review all aspects of the Group's performance concentrating mainly on financial performance, business risks and development.

b) A number of matters are reserved for the Board's specific approval including major capital expenditure, banking and dividend policy.

In establishing the systems of internal control, the directors have implemented a control environment, risk management procedures and reporting processes appropriate to the size of the Group. The system of internal control is designed to manage rather than eliminate risk. Further procedures will continue to be adopted in respect of all the Group's activities to further improve financial control.

As explained in Note 1, trading and cash flows can be unpredictable. However, after making appropriate enquiries the directors have formed a judgement that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Remuneration Committee consists of all the non-executive directors.

The remuneration of the non-executive directors is determined by the Board.

At present the committee annually reviews the level of directors' remuneration packages. Disclosure of directors' remuneration is provided in the report of the Remuneration Committee.

DIRECTORS' REMUNERATION REPORT

As a company listed on the Alternative Investment Market of the London Stock Exchange, Constellation Corporation plc is not required to provide the following, unaudited information, although this is given to enhance users' understanding of the accounts.

Unaudited information:

Under the company's Articles of Association, the Board may delegate any of its powers, authorities and discretions to a sub-committee of the Board.

The Remuneration Committee comprises the non-executive directors. The Committee is formally constituted with written terms of reference. No individual director participates when his own remuneration is under consideration.

In formulating its remuneration policy, the Committee has given full consideration to the relevant sections of the Combined Code issued by the Committee on Corporate Governance.

There follows the full text of the Remuneration Report for the year ended 31 December 2004 which has been approved and adopted by the Board of Directors for submission to the shareholders.

Composition

R S Hingley chaired the Remuneration Committee with J Bartle, B R Lakefield and R G Robinson being its other members.

Policy for Executive Directors

To attract, motivate and retain high calibre executives by rewarding them with appropriate salary, bonus scheme, benefits and share option packages.

a) *Salary*

Salaries are reviewed annually and the Committee takes account of similar companies in its industry by reference to published information for similar jobs as well as individual performance.

b) *Bonus*

The company operates a discretionary bonus scheme for certain executive directors. The scheme is based on achieving agreed levels of profitability within the part of the Group they are directly involved with. Bonus payments are non-pensionable.

c) *Benefits*

When appropriate, executives are provided with company cars, medical insurance and life assurance.

d) *Pension*

The company pension scheme is available to all executive directors.

e) *Share Options*

There are no share options in existence at the year end.

f) *Service Contracts*

A C Garner has a service contract that is subject to 24 months notice by either party. Given Mr Garner's pivotal role in the business this notice period is considered appropriate. It is the Board's intention, at an appropriate time of the Group's development, to reduce the notice period on this service contract. The Committee reviews each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances taking care to ensure that poor performance is not rewarded.

Policy for Non-Executive Directors

The Board is responsible for determining the fees payable to non-executive directors. The executive director seeks to advise the Board on the level of fees based on external evidence of fees paid to non-executive directors of similar companies.

Non-executive directors are appointed initially on a fixed two year contract and thereafter on a year to year basis.

Directors' Interest in Contracts

Anderson Barrowcliff, of which R G Robinson is a partner, provides company secretarial services to the company. Apart from that there were no contracts in existence at the end of the year in which a director of the company was materially interested.

Directors' Interest in Shares and Options

Details of the interests of those directors that held office during the period, all of which are beneficial, in the shares of Constellation Corporation Plc on the dates specified are as follows:-

	31 December 2004 Ordinary Shares of 0.1p Each	31 December 2003 Ordinary Shares of 0.5p Each
A C Garner	301,350,439	301,086,939
R S Hingley	2,000,000	2,000,000
J Bartle	6,000,000	6,000,000
B R Lakefield	35,000,000	35,000,000

R G Robinson held no shares in the company during the year.

Audited information:

Directors' Emoluments

The emoluments of the directors of the company for the year ended 31 December 2004 were as follows:-

	Salary and fees £000	Benefits £000	Pensions £000	Total 31 Dec 2004 £000	31 Dec 2003 £000
Executive Director					
A C Garner	183	-	5	188	188
Non-Executive Directors					
R S Hingley	-	-	-	-	-
B R Lakefield	-	-	-	-	-
J Bartle	-	-	-	-	-
R G Robinson	-	-	-	-	-
	183	-	5	188	188

Directors' Emoluments (continued)

Certain Directors waived part of their salary entitlements during the current and previous years. The amounts waived were as follows:

	31 December 2004 £000	31 December 2003 £000
A C Garner	17	17
R S Hingley	20	20
B R Lakefield	15	15
J Bartle	20	15
R G Robinson	15	15

R S HINGLEY

Chairman of the Remuneration Committee

28 June 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION CORPORATION plc

We have audited the financial statements of Constellation Corporation plc for the year ended 31 December 2004, which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes numbered 1 to 24, together with the notes to the cash flow statement. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' Report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty about going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainties as to the group meeting its trading forecasts. In view of the significance of these uncertainties, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

28 June 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Note	31 December 2004	31 December 2003 (restated)
		£000	£000
TURNOVER	1	1,280	1,253
ADMINISTRATIVE EXPENSES:	3		
Abortive costs on potential acquisition		-	60
Other administrative expenses		(1,291)	(1,199)
		(1,291)	(1,139)
TOTAL OPERATING (LOSS)/PROFIT		(11)	114
Interest payable and similar charges	4	(141)	(112)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,5	(152)	2
Tax on (loss)/profit on ordinary activities	6	(23)	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(175)	2
Dividends – including other finance charges in respect of non-equity shares	7	(50)	(50)
RETAINED LOSS FOR THE YEAR		(225)	(48)
Loss per share - Basic	8	(0.02)p	0.00p
Loss per share - Diluted	8	(0.02)p	0.00p

All activity arose from continuing operations.

The format of the profit and loss account has been revised as detailed in note 1 to the accounts.

There are no recognised gains and losses other than the losses for the current and previous years. Accordingly, no statement of total recognised gains and losses is given.

CONSTELLATION CORPORATION plc

CONSOLIDATED BALANCE SHEET
31 December 2004

	Notes	31 December 2004		31 December 2003	
		£000	£000	£000	£000
FIXED ASSETS					
Intangible assets - Goodwill	10		1,025		1,092
Tangible assets	11		6		14
			1,031		1,106
CURRENT ASSETS					
Debtors	13	175		121	
Investments	14	-		-	
Cash at bank and in hand		30		12	
		205		133	
CREDITORS: amounts falling due within one year	15	(1,739)		(1,748)	
NET CURRENT LIABILITIES			(1,534)		(1,615)
TOTAL ASSETS LESS CURRENT LIABILITIES			(503)		(509)
CREDITORS: amounts falling due after more than one year	16		(832)		(978)
PROVISIONS FOR LIABILITIES AND CHARGES	17		-		-
NET LIABILITIES			(1,335)		(1,487)
CAPITAL AND RESERVES					
Called up share capital	18		5,326		5,066
Share premium account	19		4,074		4,007
Other reserve	19		689		639
Profit and loss account	19		(11,424)		(11,199)
TOTAL SHAREHOLDERS' FUNDS			(1,335)		(1,487)
ANALYSIS OF SHAREHOLDERS' (DEFICIT)/FUNDS					
Equity shareholders' deficit			(2,095)		(2,197)
Non-equity shareholders' funds			760		710
			(1,335)		(1,487)

These financial statements were approved by the Board of Directors on 28 June 2005

Signed on behalf of the Board of Directors

A C GARNER
Director

R G ROBINSON
Director

BALANCE SHEET
31 December 2004

	Notes	31 December 2004 £000	31 December 2004 £000	31 December 2003 £000	31 December 2003 £000
FIXED ASSETS					
Investments	12		1,225		1,225
CURRENT ASSETS					
Debtors	13	358		302	
Cash at bank and in hand		-		-	
		358		302	
CREDITORS: amounts falling due within one year	15	(1,235)		(1,321)	
NET CURRENT LIABILITIES			(877)		(1,019)
TOTAL ASSETS LESS CURRENT LIABILITIES			348		206
CREDITORS: amounts falling due after more than one year	16		(832)		(978)
NET LIABILITIES			(484)		(772)
CAPITAL AND RESERVES					
Called up share capital	18		5,326		5,066
Share premium account	19		4,074		4,007
Other reserve	19		689		639
Profit and loss account	19		(10,573)		(10,484)
TOTAL SHAREHOLDERS' DEFICIT			(484)		(772)
ANALYSIS OF SHAREHOLDERS' (DEFICIT)/FUNDS					
Equity shareholders' deficit			(1,244)		(1,482)
Non-equity shareholders' funds			760		710
			(484)		(772)

These financial statements were approved by the Board of Directors on 28 June 2005

Signed on behalf of the Board of Directors

A C GARNER — Director

R G ROBINSON — Director

CONSTELLATION CORPORATION plc

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2004

	Notes	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Net cash flow from operating activities	(i)	3	200
Returns on investment and servicing of finance	(ii)	(115)	(111)
Taxation		-	-
Capital expenditure and financial investment		-	-
Acquisitions and disposals		-	-
Cash flow before use of liquid resources and financing		(112)	89
Financing	(ii)	154	(107)
Decrease in net cash in the period		42	(18)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Increase/(decrease) in cash in the period		42	(18)
Cash outflow from decrease in debt and lease financing		-	26
Net movement on secured loans		182	77
Directors loan advance		-	-
Changes in net debt resulting from cash flows		224	85
Net debt at start of period	(iii)	(1,945)	(2,030)
Net debt at end period	(iii)	(1,721)	(1,945)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2004

(i) RECONCILIATION OF OPERATING (LOSS)/PROFIT TO OPERATING CASH FLOWS

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Operating (loss)/profit	(11)	114
Depreciation	9	20
Amortisation	69	83
(Increase)/decrease in debtors	(55)	73
(Decrease) in creditors	(9)	(90)
Net cash inflow from operating activities	3	200

(ii) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Returns on investments and servicing of finance		
Interest received	-	-
Interest paid	(115)	(110)
Interest element of finance lease rental payments	-	(1)
Net cash outflow for returns on investments and servicing of finance	(115)	(111)
Financing		
Net cash inflow from equity placings	327	-
Repayment of secured loans	(149)	(97)
Capital element of finance lease rental payments	-	(10)
Decrease in invoice discounting	(24)	-
Net cash inflow/(outflow) from financing	154	(107)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2004

(iii) ANALYSIS OF NET DEBT

	At 1 January 2004 £000	Cash flow £000	At 31 Dec 2004 £000
Cash in hand and at bank	12	18	30
Bank overdraft	(74)	24	(50)
Total for cash at bank and overdraft	(62)	42	(20)
Debt due within one year	(588)	36	(552)
Debt due after one year	(978)	146	(832)
Directors loan account	(317)	-	(317)
	(1,945)	224	(1,721)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2004. The results of subsidiaries sold and acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary assets and liabilities that exist at the date of acquisition are recorded at their provisional fair values reflecting their condition at that date.

Basis of preparation of the financial statements

Going Concern

The nature of the Group's business is such that there can be considerable unpredictable variations in trading compared to forecasts. The directors have prepared projected cash flow information for the current financial year and the following two financial years. In preparing the cash flows the directors have taken into account that a number of long overdue creditors exist which amount in total to £371,000. The directors have held discussions with these creditors with a view to offering them shares in the group in part satisfaction of their debts and / or agreeing with them further periods of extended credit. These negotiations are ongoing and their successful outcome is an important factor to the achievement of the forecasts.

In addition, the forecasts assume the securing of additional revenue and new contracts. Whilst the directors are confident in being able to secure this new work their ability to achieve this is critical to the forecasts being achieved.

On the basis of this cash flow information, the overdraft facility which continues to be subject to a quarterly review and discussions with the Group's bankers, the directors have formed a judgement at the time of approving the financial statements that the Company will be able to work within agreed overdraft facilities. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. However, the timings of cash flows may sometimes result in the Group having insufficient facilities to meet its obligations. The financial statements do not include any adjustments that would result from not meeting current forecasts.

Goodwill

Goodwill in respect of acquisitions arising after the introduction of FRS 10 "Goodwill and intangible assets" is shown as an asset and each acquisition is assessed to determine the useful economic life of the business and the goodwill. Goodwill relating to the acquisitions made by the Company is an inseparable part of the total value of the relevant business and such businesses if properly managed, should grow in value over the years and hence neither the value of the business nor the goodwill have a measurable economic life. Where it is considered that the value of the business or its goodwill do have a measurable economic life, the goodwill would be amortised through the profit and loss account by equal annual instalments over such useful economic life.

Goodwill arising from the acquisitions is amortised over 20 years. The directors consider this to be appropriate given the relatively high barriers of entry to the specialist field of executive search together with their commitment to investing in this business over the long term to sustain value.

The profit or loss on disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

Where the useful economic life does not exceed 20 years, goodwill would be subject to an impairment review at the end of the first full year after acquisition and at any other time if the directors believe that impairment may have occurred. Any impairment will be charged to the profit and loss account in the period in which it arises.

Pre FRS 10 goodwill has been written off directly to reserves as a matter of accounting policy, where the business to which this relates is subsequently disposed of such goodwill will be charged to the profit and loss account.

Format of profit and loss account

The format for the presentation of the profit and loss account has been changed to reflect more accurately the nature of trading activities of the group. The comparative figures for 2003 have been restated in this new format, removing cost of sales and including such items in administrative expenses.

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned:

Short leasehold property and improvements	- Over the life of the lease on a straight-line basis
Fixtures and fittings	- 25% - 33% per annum on cost
Motor vehicles	- 25% straight line

Foreign exchange

Transactions denominated in foreign currency are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Deferred taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Investments

Fixed asset investments are stated at cost less provision for any impairment in value.

Turnover

Turnover represents the VAT exclusive value of services provided during the year.

Pensions

The Group operates a number of defined contribution funded pension schemes for the benefit of certain employees. The costs of the pension schemes are charged to the profit and loss account as incurred.

1. SEGMENTAL ANALYSIS

The analysis by class of business of the Group's turnover, profit/(loss) before taxation and net liabilities is set out below:

	Turnover		(Loss)/profit before tax		Net liabilities	
	Year ended 31 Dec 2004 £000	Year ended 31 Dec 2003 £000	Year ended 31 Dec 2004 £000	Year ended 31 Dec 2003 £000	Year ended 31 Dec 2004 £000	Year ended 31 Dec 2003 £000
Class of business						
Continuing operations:						
Executive search	1,280	1,253	49	240	(1,335)	(1,487)
Corporate central costs			(60)	(126)		
Interest payable			(141)	(112)		
Interest receivable			-	-		
			(152)	2		

	Turnover		(Loss)/profit before tax		Net liabilities	
	Year ended 31 Dec 2004 £000	Year ended 31 Dec 2003 £000	Year ended 31 Dec 2004 £000	Year ended 31 Dec 2003 £000	Year ended 31 Dec 2004 £000	Year ended 31 Dec 2003 £000
Geographical analysis by destination						
United Kingdom	1,274	1,180	(158)	2	(1,335)	(1,487)
Europe	-	12	-	-	-	-
Other	6	61	6	-	-	-
	1,280	1,253	(152)	2	(1,335)	(1,487)

Turnover by location is not materially different from turnover by destination.

2. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging:	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Depreciation and amounts written off tangible fixed assets:		
Owned assets	9	10
Assets held under finance leases	-	10
Amortisation of intangible fixed assets	69	83
Operating lease rentals:		
Land and buildings	152	152
Auditors' remuneration:		
Audit work – Group	15	15
Other services	-	-
(Profit) on disposal of tangible fixed assets	-	(4)

The Company audit fee in the year was £10,000 (2003: £10,000).

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
On bank loans and overdrafts	113	110
Other interest	26	-
Other finance charges	2	2
	141	112

5. STAFF COSTS

The average number of full time equivalent persons (including directors) employed by the Group during the period was as follows:	Year ended 31 December 2004 No.	Year ended 31 December 2003 No.
Sales and related services	4	5
Administration	2	3
	6	8
	£000	**£000**
Staff costs (for the above persons):		
Wages and salaries	509	452
Social security costs	60	53
Pension costs	5	11
	574	516

The emoluments of the directors are disclosed as required by the Companies Act 1985 on page 7 in the Report on Remuneration. The table of directors' emoluments has been audited and forms part of these financial statements. This also includes details of the highest paid director.

6. TAX ON LOSS ON ORDINARY ACTIVITIES

Taxation is based on the loss for the year and comprises:	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
United Kingdom corporation tax at 30% based on (loss)/profit for the year	-	-
Adjustment in respect of previous years	23	
	23	-

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
(Loss)/profit on ordinary activities before taxation	(152)	2
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2003: 30%)	(46)	-
Effects of:		
Expenses not deductible for tax purposes	22	1
Depreciation in excess of capital allowances	-	3
Adjustment to losses carried forward	24	(4)
Adjustments to tax in respect of prior periods	23	-
Current tax charge for the year	23	-

7. DIVIDENDS

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Other finance charges in respect of non-equity shares	50	50

Following the preference dividend paid in April 2000, further dividends on the preference shares became due in October 2000, and then each April and October in the years 2001, 2002, 2003 and 2004. Given the lack of distributable reserves of the company at these dates, these payments could not legally be made. A reserve has been created for these dividends.

8. BASIC AND DILUTED LOSS PER ORDINARY SHARE

In accordance with FRS 14, loss per ordinary share of (0.02)p (2003: 0.00p) has been calculated by dividing the loss on ordinary activities after taxation and non-equity dividends of £226,000 (2003: £48,000) by 1,045,967,675 (2003: 907,118,360), being the weighted average number of ordinary shares in issue and ranking for dividend during the period. There were no preference shares at 31 December 2004 (2003: nil) available for conversion and so diluted loss per ordinary share is also (0.02)p.

9. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the year amounted to £89,000 (2003: loss of £40,000).

10. INTANGIBLE FIXED ASSETS

Group	**Goodwill £000**
Cost	
At 1 January and 31 December 2004	4,813
Amortisation	
At 1 January 2004	3,721
Charge for period	67
At 31 December 2004	3,788
Net book value	
At 31 December 2004	1,025
At 1 January 2004	1,092

Goodwill arising from the acquisitions is amortised over 20 years. The directors consider this to be appropriate given the relatively high barriers of entry to the specialist field of executive search together with their commitment to investing in this business over the long term to sustain value.

The directors have reviewed goodwill for impairment and consider that no adjustment is necessary to the carrying value at this time.

11. TANGIBLE FIXED ASSETS

	Short leasehold property and improvements £000	Fixtures and Fittings £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2004	64	118	-	182
Disposals	-	-	-	-
At 31 December 2004	64	118	-	182
Depreciation				
At 1 January 2004	50	116	-	168
Charge for the period	8		-	8
Disposals	-	-	-	-
At 31 December 2004	58	118	-	176
Net book value				
At 31 December 2004	6	-	-	6
At 31 December 2003	14	-	-	14

The Group had no capital commitments as at 31 December 2004 (2003: £Nil).

12. FIXED ASSET INVESTMENTS

Company	**Shares in group undertakings £000**
Cost	
At 1 January and 31 December 2004	6,217
Provision for impairment	
At 1 January and 31 December 2004	4,992
Net book value	
At 31 December 2004	1,225
At 31 December 2003	1,225

Principal Group investments

	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the company
Garner International Limited	England and Wales	Executive search and selection	100% ordinary shares

13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	164	98	-	-
Amounts owed by group undertakings	-	-	355	299
Other debtors	-	-	-	-
Prepayments and accrued income	11	23	3	3
	175	121	358	302

Trade debtors are factored to the bank which lends against them as they are incurred. This lending is accounted for within bank loans and overdrafts and amounted to £74,000 at 31 December 2004 (2003: £97,000).

14. CURRENT ASSET INVESTMENTS

GROUP	Unquoted investments £000
Cost	
At 1 January and 31 December 2004	50
Provision	
At 31 December 2004 and 2003	50
Net book value	
At 31 December 2004	-
At 31 December 2003	-

The Group holds 100% of the preference share capital of Trac Communications Limited, a company incorporated in England and Wales. The Directors estimate the value of this investment to be £Nil (2003: £Nil). The shares are convertible on the request of the Company into ordinary shares representing 16% of the equity capital of Trac Communications Limited.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	**2003**	**2004**	**2003**
	£000	**£000**	**£000**	**£000**
Bank loans and overdraft (note 23)	602	651	529	553
Trade creditors	472	510	340	337
Due to group undertakings	-	-	25	25
Corporation tax payable	65	42	-	-
Other taxation and social security	190	112	-	-
Other creditors	20	6	-	-
Directors loan account	317	317	317	317
Accruals	73	110	24	89
	1,739	1,748	1,235	1,321

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004	**2003**	**2004**	**2003**
	£000	**£000**	**£000**	**£000**
Bank loans	832	978	832	978

A maturity analysis of the above borrowings and further details of bank loans, debentures and other loans are given in note 23.

The bank loans relate to advances from Lloyds TSB plc. The loans incur interest at 2% per annum above bank base rate. The loans together with the overdraft, are secured by a letter of set off and guarantee between the bank, the Company and Garner International Limited over all assets.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Group	Company
	£000	**£000**
At 1 January and 31 December 2004	-	-

A deferred tax asset has not been recognised in respect of the losses, capital allowances and short-term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £ 3,412,501 (2003: £3,388,501). The asset would be recoverable if taxable profits arose in the Group in the future against which the assets will crystallise.

18. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised:		
1,500,000,000 Ordinary shares of 0.5p each	-	7,500
1,745,226 5p (gross) Preference shares of 50p each	-	873
3,871,526,560 Ordinary shares of 0.1p each	3,872	-
907,118,360 Deferred shares of 0.4p each	3,628	-
1,745,226 Preference shares of 50p each	873	-
	8,373	8,373
Allotted and fully paid:		
2003: 907,118,360 Ordinary shares of 0.5p each	-	4,535
2003: 1,046,283 5p (gross) Preference shares of 50p each	-	531
1,167,118,360 Ordinary shares of 0.1p each	1,167	-
907,118,360 Deferred shares of 0.4p each	3,628	-
1,046,283 Preference shares of 50p each	531	-
	5,326	5,066

Following the Capital Reconstruction in June 2004 (see below), 260,000 new Ordinary shares of 0.1p each were issued for a gross consideration of £425,000, resulting in an increase of £165,000 to the share premium account. Costs of these issues of £98,000 were debited to this account and so a net £67,000 has been added to share premium.

Capital Reconstruction

Following an Extraordinary General Meeting held on 3 June 2004 the share capital of the company was reconstructed to enable the company to issue new shares. This was necessary as the shares were trading at a price lower than the nominal value of each share. At this time:

- Each issued Ordinary Share of 0.5p was sub-divided into one new ordinary share of 0.1 pence ("New Ordinary Share") and one deferred share of 0.4 pence ("Deferred Share")
- Each un-issued Ordinary Share was sub-divided into 5 New Ordinary Shares of 0.1 pence each
- It was agreed that each Deferred Share would be transferable to the Company or its nominee for nil consideration.

The Deferred Shares have the following rights and restrictions:

- A holder of Deferred Shares may not by virtue of or in respect of his or her holding of Deferred Shares, have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting.
- The Deferred Shares shall not entitle their holders to receive any dividends or other distribution.
- The Deferred Shares shall on a return of assets on a winding up entitle their holders only to the repayment of the amount paid up on such shares after payment of the capital paid up on the Ordinary Shares plus the payment of £10,000,000 per Ordinary Share.
- The Company shall have irrevocable authority at any time to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and/or to cancel the same, without making any payment to the holders thereof and/or acquire the same (in accordance with the provisions of the Companies Act 1985) without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate of such shares.

18. CALLED UP SHARE CAPITAL (continued)

5p (gross) Preference shares

The period for conversion of these shares has now passed and so they are no longer convertible. The Preference shares carry the right to a fixed cumulative preferential dividend of 5p (gross) per annum payable half yearly on 30 April and 31 October in each year in respect of the previous half year.

On a return of capital on a winding-up, the holders of the Preference shares will have a preferential right to repayment of 100p per share and all arrears of fixed cumulative dividend but will have no right to participate in any surplus.

The holders of the Preference shares will have the right to receive notice of and attend General Meetings of the Company, but will only be entitled to vote thereat if their fixed cumulative preferential dividend is six months or more in arrears, or if Convertible Preference shares required to be redeemed by the Company have not been redeemed, or if a receiver or administrative receiver to the Company has been appointed, or on a resolution of abrogating, varying or modifying any of their class rights or privileges or for the winding-up of the Company.

The Company should have redeemed any unconverted Convertible Preference shares on 31 January 2003. The amount payable on redemption would have been the sum of 100p for each 50p share plus any arrears or accruals of the fixed dividend thereon. The Company had insufficient distributable reserves at this time and therefore no redemption was possible. The conversion period has now expired and so the Convertible Preference shares are no longer convertible.

19. SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2004	4,007	639	(11,199)	(6,553)
Loss for the period	-	-	(225)	(225)
Premium on issue of new shares	165	-	-	165
Costs of issue of new shares	(98)	-	-	(98)
Reserve for finance charges	-	50	-	50
At 31 December 2004	4,074	689	(11,424)	(6,661)

The cumulative amount of goodwill from pre 27 July 1997 acquisitions which has been written off to Group reserves, after deducting goodwill attributable to subsidiary undertakings disposed of is £411,000 (2003: £411,000).

Company	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2004	4,007	639	(10,484)	(5,838)
Loss for the period	-	-	(89)	(89)
Premium on issue of new shares	165	-	-	165
Costs of issue of new shares	(98)	-	-	(98)
Reserve for finance charges	-	50	-	50
At 31 December 2004	4,074	689	(10,573)	(5,810)

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
(Loss)/profit for the financial period	(175)	2
Finance charges in respect of non-equity shares	(50)	(50)
	(225)	(48)
Issue of share capital	260	-
Premium on issue of new shares	67	-
Creation of other reserve for finance charges on non-equity shares	50	50
Net addition to shareholders' funds	152	2
Opening shareholders' deficit	(1,487)	(1,489)
Closing shareholders' deficit	(1,335)	(1,487)

21. COMMITMENTS

Operating leases

At 31 December 2004, the Group had annual commitments under non-cancellable operating leases which expire as follows:

	Land and buildings	
	2004 £000	2003 £000
In less than one year	152	152

22. PENSION COSTS

The Group operated several defined contribution pension schemes for the retail business. The assets of the schemes were held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and amounts to £5,000 (2003: £5,000).

23. FINANCIAL INSTRUMENTS

Derivatives and other financial instruments

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has not entered into any derivative transactions in the year. The Group does not trade in financial instruments.

The Group has taken advantage of the exemptions available under Financial Reporting Standard No. 13 not to provide numerical disclosures in relation to short-term debtors and creditors.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances operations through bank borrowings and finance leases. At the year-end all of the Group's bank borrowings were at floating rates of interest. It is the Group's policy to have all borrowings at a floating rate of interest and this policy is reviewed periodically to ensure it is appropriate.

Liquidity risk

The Group's policy is to retain a balance between short-term flexibility, achieved through overdraft facilities, and longer term planning through longer-term instalment debt. At the year-end, 24% of bank borrowings were overdrafts.

The maturity profile of the Group's financial liabilities is given below.

Currency risk

The Group's policy is not to hedge transactions, and buy and sell currency at spot rate where applicable. Each company has assets and liabilities in its native currency only.

Financial assets:

£30,000 (2003: £12,000) of cash at bank and in hand is held in the Group, all denominated in Sterling. All financial assets attract interest at floating rates, and are based on national bank offering rates.

23. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

MATURITY PROFILE OF FINANCIAL LIABILITIES

	Group		Company	
	2004	**2003**	**2004**	**2003**
Analysis of loan repayments	**£000**	**£000**	**£000**	**£000**
Bank loans and overdrafts:				
In one year or less or on demand	602	651	529	553
In more than one year but not more than two years	144	144	144	144
In more than two years but not more than five years	418	418	418	418
In more than five years	270	416	270	416
Debentures and other loans:				
In one year or less or on demand	-	-	-	-
Directors' loan accounts				
In one year or less or on demand	317	317	317	317
	1,751	1,946	1,678	1,848

The Group had no undrawn committed borrowing facilities at the year end (2003: nil).

INTEREST RATE PROFILE

The interest rate profile of the Group's financial liabilities was:

		2004	**2003**
		£000	**£000**
Floating rate financial liabilities		1,434	1,629
Fixed rate financial liabilities		-	-
Non interest bearing financial liabilities	- non equity shares	-	-
	- directors loan account	317	317
		1,751	1,946

Floating rate liabilities represent bank borrowings and overdrafts that bear rates of interest at between 2.5% and 3.5% above the base rate.

All of the financial instruments are held in the UK in Sterling.

23. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of book values and fair values of the Group's financial liabilities which are all denominated in sterling:

	2004		2003	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Bank overdraft	50	50	50	50
Bank loan	1,384	1,384	1,579	1,579
Directors loan	317	317	317	317
	1,751	1,751	1,946	1,946
Non-equity share redemption value	-	-	-	-
	1,751	1,751	1,946	1,946

The fair value of cash at bank and in hand is not materially different from its book value.

24. RELATED PARTY TRANSACTIONS

In previous years some of the directors have loaned the company money to assist with its working capital requirements. The balances on these loan accounts at 31 December 2004 and 31 December 2003 were: A C Garner £292,000, J Bartle £13,000 and R S Hingley £12,000. These loans are non interest bearing and at the Balance Sheet date none of these loans had any agreed repayment terms.

In addition, A C Garner has guaranteed £200,000 of bank overdraft and J Bartle and B R Lakefield have jointly guaranteed a further £100,000 of bank overdraft.

During the year ended 31 December 2002, the Company obtained acquisitions advisory services of £48,000 from Anderson Barrowcliff where R G Robinson is a partner. This amount was outstanding at 31 December 2004 and 31 December 2003.

CONSTELLATION CORPORATION Plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 67th Annual General Meeting of Constellation Corporation Plc will be held at the registered office of the company 6 Derby Street, London, W1J 7AD at 10.30am on 28th September 2005 for the following purposes:

1 To receive and adopt the statement of accounts of the Company for the year ended 31st December 2004 together with the reports of the Directors and Auditors thereon.

2 To re-elect R G Robinson as a Director.

3 To appoint Messrs, Deloitte & Touche LLP as Auditors to act as such until the conclusion of the next Annual General Meeting of the Company at which the requirements of Section 241 (1) of the Companies Act 1985 will be compiled with and to authorise the Directors of the Company to fix their remuneration.

By order of the Board:

R G ROBINSON

Secretary

28 June 2005

Registered office:

6 Derby Street

London

W1J 7AD

Notes:

1 A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

2 Copies of Directors' contracts of service and the register of Directors' interests in the shares of the company are available for inspection at the Registered Office during normal business hours (Saturday and Sundays excepted), until the Meeting and at the Meeting.